恒隆地產
HANG LUNG PROPERTIES

恒隆地產有限公司

HANG LUNG PROPERTIES LIMITED

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00101)

2022 ANNUAL RESULTS

恒隆地產
HANG LUNG PROPERTIES

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FINANCIAL HIGHLIGHTS

in HK$ Million (unless otherwise stated)

RESULTS

	2022			2021		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue	**10,031**	**316**	**10,347**	10,321	-	10,321
- Mainland China	**6,752**	**-**	**6,752**	6,939	-	6,939
- Hong Kong	**3,279**	**316**	**3,595**	3,382	-	3,382
Operating profit/(loss)	**7,166**	**87**	**7,253**	7,462	(91)	7,371
- Mainland China	**4,554**	**(51)**	**4,503**	4,693	(38)	4,655
- Hong Kong	**2,612**	**138**	**2,750**	2,769	(53)	2,716
Underlying net profit/(loss) attributable to shareholders	**4,135**	**64**	**4,199**	4,430	(65)	4,365
Net decrease in fair value of properties attributable to shareholders	**(363)**	**-**	**(363)**	(497)	-	(497)
Net profit/(loss) attributable to shareholders	**3,772**	**64**	**3,836**	3,933	(65)	3,868

	At December 31, 2022	At December 31, 2021
Shareholders' equity	**133,381**	141,719
Net assets attributable to shareholders per share (HK$)	**$29.6**	$31.5

Earnings and Dividends (HK$)

	2022	2021
Earnings per share		
- Based on underlying net profit attributable to shareholders	**$0.93**	$0.97
- Based on net profit attributable to shareholders	**$0.85**	$0.86
Dividends per share	**$0.78**	$0.78
- Interim	**$0.18**	$0.18
- Final	**$0.60**	$0.60

Financial Ratios

	2022	2021
Payout ratio (based on net profit attributable to shareholders)		
- Total	**91%**	91%
- Property leasing	**93%**	89%
- Property leasing (after deducting amount of interest capitalized)	**114%**	108%
Payout ratio (based on underlying net profit attributable to shareholders)		
- Total	**84%**	80%
- Property leasing	**85%**	79%
- Property leasing (after deducting amount of interest capitalized)	**102%**	94%

	At December 31, 2022	At December 31, 2021
Net debt to equity ratio	**28.1%**	24.4%
Debt to equity ratio	**31.8%**	30.0%

REVIEW OF OPERATIONS

CONSOLIDATED RESULTS

The total revenue of Hang Lung Properties Limited (the Company) and its subsidiaries (collectively known as "Hang Lung Properties") for the year ended December 31, 2022, stayed flat against 2021 at HK$10,347 million, and the operating profit dropped by 2% to HK$7,253 million. Revenue from property leasing decreased by 3% to HK$10,031 million, mainly affected by the Renminbi (RMB) depreciation against the Hong Kong dollar since the second quarter of 2022 and the business suspensions of our malls caused by COVID-19 in Shanghai in April and May. Property sales revenue of HK$316 million was recognized during the year (2021: Nil).

The underlying net profit attributable to shareholders declined by 4% to HK$4,199 million, while the underlying earnings per share dropped correspondingly to HK$0.93.

Hang Lung Properties reported a net profit attributable to shareholders of HK$3,836 million (2021: HK$3,868 million) when including a net revaluation loss on properties attributable to shareholders of HK$363 million (2021: HK$497 million). The corresponding earnings per share was HK$0.85 (2021: HK$0.86).

Revenue and Operating Profit

	Revenue			Operating Profit/(Loss)		
	2022	2021	Change	**2022**	2021	Change
	HK$ Million	HK$ Million		**HK$ Million**	HK$ Million	
Property Leasing	**10,031**	10,321	-3%	**7,166**	7,462	-4%
Mainland China	**6,752**	6,939	-3%	**4,554**	4,693	-3%
Hong Kong	**3,279**	3,382	-3%	**2,612**	2,769	-6%
Property Sales	**316**	-	N/A	**87**	(91)	N/A
Total	**10,347**	10,321	-	**7,253**	7,371	-2%

DIVIDEND

The Board of Directors has recommended a final dividend of HK60 cents per share for 2022 (2021: HK60 cents) to be paid in cash on May 19, 2023, to shareholders whose names are listed on the register of members on May 5, 2023. Together with an interim dividend of HK18 cents per share (2021: HK18 cents), the full-year dividends for 2022 amounted to HK78 cents per share (2021: HK78 cents).

PROPERTY LEASING

For the year ended December 31, 2022, the overall rental revenue of Hang Lung Properties decreased by 3% to HK$10,031 million. Rental revenue of our Mainland portfolio rose by 1% in RMB terms but dropped by 3% in HKD terms because of the depreciation of the RMB since the second quarter of the year. Our Hong Kong portfolio recorded a 3% decline in rental revenue due to the impact of the fifth wave of the COVID-19 pandemic.

On the Mainland, our leasing portfolio demonstrated resilience amid the various headwinds faced by the retail sector during the year. In the first half of the year, the outbreak of the highly contagious Omicron variant prompted a strict two-month closure of business operations at our malls in Shanghai during April and May which heavily affected our performance. Despite the business suspension in Shanghai, we achieved 1% revenue growth in RMB terms in the first half as our shopping malls outside Shanghai and our office portfolio continued to show respectable growth. In the second half, as COVID cases spread across Mainland and local pandemic containment measures were reintroduced, businesses were disrupted and foot traffic fell. The negative sentiment was amplified in December as the pandemic situation heightened and infection cases penetrated across Mainland. Our geographical and business diversification strategies, again demonstrated its effectiveness, as our rental revenue in the second half grew 8% against first half of 2022 and was at par with second half of 2021 when Mainland rental revenue was at its historical high. Overall, in RMB terms, 2022 revenue grew by 1% against last year.

The operating environment in Hong Kong was fragile, with the fifth wave of COVID-19 early in the year having lingering effects on businesses and consumer sentiment. New round of the government’s electronic Consumption Voucher Scheme during the year has boosted consumer sentiment to a certain extent. Less rent relief was needed in the second half of 2022 as we continued to provide support to our tenants during this challenging time. Overall, we continued to narrow the gap against last year as rental revenue was only 3% lower, whereas we reported a 4% drop in the first half. In addition, we managed to keep our tenant sales flat against last year and the occupancy rate at a high level.

Mainland China[1]

Property Leasing – Mainland China Portfolio

	Revenue (RMB Million)		
	2022	2021	Change
Malls	**4,607**	4,662	-1%
Offices	**1,110**	1,001	11%
Hotel	**73**	94	-22%
Total	**5,790**	5,757	1%
Total in HK$ Million equivalent	***6,752***	*6,939*	*-3%*

Overall rental revenue edged up by 1% and operating profit was the same as in 2021 in RMB terms. In HKD terms, they both dropped by 3% due to the depreciation of the RMB since the second quarter of the year. Our mall portfolio's performance was relatively stable despite COVID-19-related interruptions in many cities. The business suspensions of our malls caused by COVID-19 in Shanghai and Shenyang were largely compensated by a solid improvement in the performance of our malls outside these two cities. Our quality office portfolio has proven to be a bright spot, with double-digit revenue growth year-on-year, mainly driven by an increase in occupancy rates at our younger office towers in Wuxi, Kunming, and Wuhan. Hotel operations were adversely affected by the various pandemic containment measures that impeded travel across provinces and cities.

- *Malls*

Revenue of our mall portfolio declined by 1% compared with last year amid the challenging operating environment posed by numerous local pandemic containment measures and weak consumer sentiment. The luxury-positioned malls recorded a 1% drop in revenue while the sub-luxury malls recorded a 4% drop year-on-year.

[1] Percentage changes pertaining to the mainland China portfolio are expressed in RMB terms unless otherwise specified.

Property Leasing – Mainland China Mall Portfolio

Name of Mall and City	**Revenue** (RMB Million)			**Year-End Occupancy Rate**	
	2022	2021	Change	**2022**	2021
Luxury malls					
Plaza 66, Shanghai	**1,595**	1,782	-10%	**100%**	100%
Grand Gateway 66, Shanghai	**1,146**	1,163	-1%	**99%**	100%
Forum 66, Shenyang	**97**	106	-8%	**87%**	90%
Center 66, Wuxi	**398**	373	7%	**99%**	98%
Olympia 66, Dalian	**229**	164	40%	**89%**	87%
Spring City 66, Kunming	**285**	269	6%	**95%**	97%
Heartland 66, Wuhan #	**232**	153	52%	**86%**	84%
	3,982	4,010	-1%		
Sub-luxury malls					
Palace 66, Shenyang	**161**	179	-10%	**81%**	90%
Parc 66, Jinan	**304**	305	-	**90%**	93%
Riverside 66, Tianjin	**160**	168	-5%	**80%**	86%
	625	652	-4%		
Total	**4,607**	4,662	-1%		

Opened in March 2021

The positive performance of our mall portfolio at the beginning of the year was interrupted in 2022 due to various pandemic containment measures and weak consumer sentiment. Business suspensions and capacity restrictions of trades such as food and beverage, entertainment, and education affected foot traffic. In particular, the leasing performance of our malls in Shanghai (Plaza 66 and Grand Gateway 66) and Shenyang (Forum 66 and Palace 66) was directly affected by business suspensions caused by COVID-19 in the first half of the year.

Up until recently in December, we have been witnessing a healthy recovery in the second half of 2022 following the gradual relaxation of pandemic control measures alongside our marketing programs and customer relationship management (CRM) program activities and privileges. However, an increase in COVID-19 cases during December affected overall sentiment and the operations of some of our tenants despite our malls remaining open during this period.

Overcoming aforementioned challenges, our luxury malls outside Shanghai and Shenyang delivered satisfactory results, with their revenue advancing by a range of 6% to 52% year-on-year, driven primarily by continuous improvements in occupancy levels and refinement of the tenant mix. Revenue from our sub-luxury malls decreased by 4% during the year.

Luxury malls

Revenue and tenant sales of our flagship **Plaza 66** mall in Shanghai receded by 10% and 24% year-on-year, respectively. Despite business interruptions triggered by scattered COVID-19 cases throughout the year, a range of CRM programs and marketing campaigns, including our signature “Home to Luxury” party event, were meticulously developed and rolled out to boost consumer sentiment and footfall. The mall continued to be fully occupied at year-end.

The **Grand Gateway 66** mall in Shanghai recorded a small retreat in revenue compared with last year, despite a 19% fall in tenant sales as a result of business suspension caused by COVID-19 in April and May. After completing its Asset Enhancement Initiative (AEI) in late 2020, the mall benefited from an upgraded trade mix with an influx of high-quality tenants. The mall maintained a 99% occupancy rate at the end of the year.

Despite the temporary closure of the **Forum 66** mall in Shenyang for nearly a month beginning in mid-March, and occasional entry restrictions as a result of the tightened pandemic containment measures, leasing performance was satisfactory in 2022. The year also marked the 10th anniversary of Forum 66, with various marketing initiatives implemented to shore up consumer sentiment and tenant sales. While these campaigns helped alleviate the impact of the mall closure in the first half of the year, the full-year revenue and tenant sales compared with 2021 dropped by 8% and 18%, respectively. Both revenue and tenant sales started to recover as the mall reopened in mid-April. The occupancy rate fell by three points to 87% as of December 31, 2022.

The performance of the **Center 66** mall—the undisputed leader in luxury retail in Wuxi—was relatively solid despite the challenging landscape. To curb the spread of COVID-19, the mall was closed for more than one week from the end of March and business hours were reduced in July as a result of a resurgence in cases. The mall showed signs of recovery following the pandemic situation was gradually improved, and we launched strategic marketing campaigns to boost footfall and consumption. Despite the difficult conditions, revenue and tenant sales grew by 7% and 1%, respectively. The occupancy rate remained high at 99%.

Having reinforced its position as the premium shopping and leisure destination in the city, **Olympia 66** in Dalian benefited from its successful transformation into a luxury-led mall and performed impressively throughout the year. Revenue climbed 40% year-on-year to RMB229 million, with tenant sales rising by 67% due to an improved tenant mix and effective marketing initiatives. The occupancy rate increased by two points to 89%, with a strong line-up of luxury tenants opening stores during the year.

As the city's hub of prime luxury, the **Spring City 66** mall in Kunming generated 6% more revenue through positive rental reversions and strong base rents although tenant sales decreased by 4%. During 2022, numerous international brands made local debut openings and established flagship or pop-up stores in the mall, keeping its offering fresh and engaging for consumers. The occupancy rate dropped by two points to 95%.

Tenant sales and footfall at the **Heartland 66** mall in Wuhan—our first large-scale commercial development in central China—continued building momentum since its opening in March 2021. Located in the bustling Qiaokou District with good connectivity to the commercial and business heart of Wuhan, the mall is home to numerous first-in-town flagship and specialty stores. Despite the mall's closure for three weeks in October and November due to tightened COVID-19 situation, revenue increased by 52% to RMB232 million, with tenant sales rising by 158%. The mall's occupancy rate grew by two points and reached 86% at the end of the year.

<u>Sub-luxury malls</u>

Palace 66 in Shenyang witnessed a drop in revenue and tenant sales by 10% and 24%, respectively. This stemmed from the mall's temporary closure for nearly a month beginning in mid-March and tightened pandemic containment measures. Following the resumption of business in mid-April, consumer sentiment demonstrated a modest recovery. Despite these challenges, Palace 66 seized the opportunity to replace the non-performing tenants with more quality and competitive tenants. The occupancy rate dropped by nine points to 81% as of December 31, 2022.

The revenue of **Parc 66** in Jinan remained stable and tenant sales fell by 20%. The completion of the first phase of its three-year AEI that commenced in June 2021, enabled the opening of a suite of brands at the mall during the year. Multiple beauty and first-in-town brands opened stores at Parc 66, and we enhanced the mall's reputation through sound marketing strategies and CRM programs. The remaining phrases of the AEI will continue to strengthen the mall's long-term competitiveness and profitability. The occupancy rate reduced by three points to 90% as of year end.

Revenue from **Riverside 66** in Tianjin decreased by 5% as business was suspended for more than a week in May and in September 2022 due to resurgence of COVID-19 cases. Tenant sales dropped by 29%. To enhance our competitiveness, we upgraded our tenant mix by replacing non-performing tenants with more attractive brands. The occupancy rate retreated by six points to 80% when compared with the previous year.

- *Offices*

The office portfolio, accounting for 19% of our total Mainland rental revenue, was a bright spot that provided a stable and resilient income stream despite the weak market sentiment. The total revenue grew by 11% to RMB1,110 million year-on-year. The occupancy level of newer projects, such as the office towers in Kunming and Wuhan, continued to increase satisfactorily.

Property Leasing – Mainland China Office Portfolio

Name of Office and City	Revenue (RMB Million)			Year-End Occupancy Rate	
	2022	2021	Change	**2022**	2021
Plaza 66, Shanghai	**639**	629	2%	**96%**	97%
Forum 66, Shenyang	**130**	132	-2%	**91%**	92%
Center 66, Wuxi	**119**	113	5%	**85%**	88%
Spring City 66, Kunming	**126**	81	56%	**88%**	71%
Heartland 66, Wuhan	**96**	46	109%	**73%**	57%
Total	**1,110**	1,001	11%		

Our two Grade A office towers at **Plaza 66** in Shanghai continued to record satisfactory rental performance during the year despite the heightened COVID-19 situation from April to May. Revenue increased slightly by 2%, and the occupancy rate remained high at 96%. Plaza 66 demonstrated resilience during the economic downturn as a result of its strong tenant profile, professional management services, and prime location in the city's traditional central business district.

The revenue of the office tower at **Forum 66** in Shenyang decreased slightly by 2%, while the occupancy rate dropped by one point to 91%. The relatively weak demand and increasing supply of office space have put pressure on office rents. Despite the challenging environment, Forum 66 maintained its market-leading position by leveraging its top-grade design, strategic location, and premium management services.

The total revenue of the two office towers at **Center 66** in Wuxi grew by 5% to RMB119 million even the occupancy rate was down by three points to 85%. The self-operated multifunctional workspace HANGOUT enhanced our offering to existing tenants and attracted new small- to medium-sized tenants, encouraging community building and performance is expected to be improved afterwards.

Revenue of the office tower at **Spring City 66** in Kunming soared by 56% to RMB126 million, with a surge in the occupancy rate by 17 points to 88%. Spring City 66's prime location, premium facilities, and value-added services gave it a competitive advantage in securing high-quality tenants. The leasing pace was further accelerated with the offering of modular offices and high-standard fit-outs and furnishings.

The **Heartland 66** Office Tower in Wuhan commenced operations in November 2020. Revenue reached RMB96 million in 2022, and the occupancy rate increased by 16 points to 73% by the end of the year. Riding on the success of HANGOUT at Center 66, the HANGOUT workspace concept will be replicated at the office tower in Heartland 66 and is expected to open in the first half of 2023.

- *Hotel*

Business has been adversely affected by the intermittent COVID-19 outbreak in Shenyang that happened at various intervals across the year. Despite this, we proactively launched a number of dining promotions and staycation packages to attract local customers. Conrad Shenyang's performance recovered gradually after the pandemic situation started to alleviate. Full-year revenue declined by 22% to RMB73 million in 2022.

Hong Kong

Both the retail and office markets were weak in 2022 as COVID-19 control measures dampened tourism demand from travelers and office demand from foreign corporations—even when the quarantine requirement for travelers was lifted later in the year. Properties located in Causeway Bay, Central, The Peak, and Mongkok remained under pressure due to their reliance on the tourist market. Tenants of specific trades, such as cinemas, gyms, and restaurants, were more directly affected by social distancing measures and capacity limits imposed by the government in the first quarter of the year.

Nevertheless, with the refinement of the tenant mix at our malls to accommodate local consumption patterns, the launch of marketing campaigns via the "hello Hang Lung Malls

Rewards Program", in conjunction with the government's electronic Consumption Voucher Scheme, occupancy was well managed and remained at a satisfactory level.

Rent relief in the second half of the year was significantly reduced compared with the first half, as tenants such as restaurants, cinemas, education centers, gyms, and beauty parlors—which had been subject to complete or partial closure—resumed business after the fifth wave of COVID-19 subsided.

Revenue retreated by 3% to HK$3,279 million and operating profit receded by 6% to HK$2,612 million, with a rental margin of 80%. Tenant sales remained flat against 2021.

Property Leasing – Hong Kong Portfolio

	Revenue (HK$ Million)			**Year-End Occupancy Rate**	
	2022	2021	Change	**2022**	2021
Retail	**1,931**	1,983	-3%	**98%**	97%
Offices	**1,096**	1,157	-5%	**90%**	87%
Residential & Serviced Apartments	**252**	242	4%	**73%**	72%
Total	**3,279**	3,382	-3%		

- *Retail*

Revenue from our Hong Kong retail portfolio decreased by 3% to HK$1,931 million as a result of negative rental reversions.

With the continuing effects of the pandemic and cross-border travel restrictions, properties located in the central business district or tourist district recorded a 6% drop in revenue due to negative rental reversions and rent relief granted to selected tenants. The tenant mix was refined by introducing brands that focus on local consumption. The occupancy rate increased by one point to 96%.

Our community malls demonstrated more resilience, with overall revenue flat against last year. **Kornhill Plaza** in Hong Kong East and **Amoy Plaza** in Kowloon East were both fully let at the reporting date.

- *Offices*

Revenue declined by 5% to HK$1,096 million due to a weak office market and negative rental reversions.

On the Hong Kong Island side, revenue declined by 8% following increasing office vacancies in Hong Kong and sluggish demand caused by the pandemic. Our **Hong Kong East portfolio** was less impacted due to its unique positioning in a neighborhood setting. The popular tourism areas of Central, Wanchai, and Causeway Bay suffered from the travel restrictions that were in place throughout most of the year. Given the challenging market conditions, we adopted various measures to maintain a relatively high occupancy level in our office buildings.

On the Kowloon side, revenue edged up by 1%. Our **Kowloon portfolio** was more resilient due to the semi-retail positioning of Grand Plaza, Grand Centre, and Gala Place.

- *Residential & Serviced Apartments*

Revenue of our residential and serviced apartments segment increased by 4% year-on-year, mainly attributable to higher average occupancy at Kornhill Apartments after adopting a more competitive pricing strategy.

PROPERTY SALES

During the year, revenue of HK$316 million was recognized for the sale of one house on Blue Pool Road upon its completion in 2022. The corresponding profit margin was 52%. Taking into account the selling expenses for The Aperture—a new development project in Kowloon Bay, marketing expenses for Heartland Residences in Wuhan, and other operating expenditures, an operating profit from property sales of HK$87 million was recorded in 2022.

An additional four residential units at The Aperture were sold during the year. Along with the residential units sold in 2021, the revenue is expected to be recognized in 2023 upon sale completion.

We continued to seize opportunities to dispose of non-core investment properties for capital recycling. During 2022, a sales transaction for the disposal of a retail unit at Laichikok Bay Garden in Hong Kong was concluded with a fair value gain of HK$11 million being recognized in the first half of the year. The sales transaction was subsequently completed in August 2022.

PROPERTY REVALUATION

As of December 31, 2022, the total value of our investment properties and those under development amounted to HK$190,564 million, including the mainland China portfolio of HK$128,921 million and the Hong Kong portfolio of HK$61,643 million. These properties were appraised by Savills, an independent valuer, as of December 31, 2022.

A revaluation loss of HK$345 million was recorded (2021: gain of HK$460 million).

The mainland China portfolio recorded a gentle revaluation loss of HK$117 million (2021: gain of HK$1,750 million), representing less than 1% of the portfolio value. The outbreak of the Omicron variant in 2022 had no material impact on the valuation, as the impact was considered to be temporary.

The Hong Kong portfolio had a revaluation loss of HK$228 million (2021: loss of HK$1,290 million), representing a less than 1% decrease against the value as of December 31, 2021.

Net revaluation loss after tax and non-controlling interests of HK$363 million was reported (2021: net revaluation loss of HK$497 million).

PROPERTY DEVELOPMENT AND CAPITAL COMMITMENT

The aggregated values of our projects under development for leasing and sale were HK$22,703 million and HK$10,734 million, respectively. These comprised mainland China projects in Wuhan, Wuxi, Kunming, Hangzhou, and Shenyang, and redevelopment projects in Hong Kong. As of the reporting date, our capital commitments for the development of investment properties amounted to HK$16 billion.

Mainland China

The impact of COVID-19 across mainland China during the year hampered workforce mobility and the supply chain of construction materials, resulting in adverse impact on the progress of projects under development. We closely monitored staffing requirements and regularly updated the procurement plan to mitigate the effects.

Heartland Residences (武漢恒隆府) in Wuhan—the inaugural project of our premium serviced residences brand on the Mainland—is situated in the immediate proximity of Heartland 66 and comprises three towers offering a total of 492 units. The sales gallery and show flats were launched in April 2022. Pre-sale marketing activities commenced in July 2022, and the public launch will be subject to a market assessment. The project is scheduled for completion in phases from the second half of 2023.

Grand Hyatt Residences Kunming (昆明君悅居) and **Grand Hyatt Kunming** are integral components of the remaining Spring City 66 development. The Residences sit above the hotel and house 254 apartment units, including three immaculate penthouses. Grand Hyatt Kunming features more than 330 guestrooms and suites. Site development kick-started following the acquisition of the construction permit in May 2021. The hotel-and-residence tower was topped out in June 2022 marking another milestone in the development. Subject to a market assessment, the pre-sale of the Residences is expected to be launched in the first half of 2023, with completion scheduled in phases from 2024 onwards, while the opening of the Grand Hyatt Kunming is planned for late 2023.

Center Residences (無錫恒隆府) in Wuxi and **Curio Collection by Hilton-branded hotel**, a lifestyle boutique hotel, forms the Phase 2 development of Center 66. The Residences comprise two high-rise residential towers housing 573 units. In addition, there will be a seven-story new-build tower and a three-floor heritage building offering a total of 106 hotel rooms. Construction has been progressing as planned, and the project is scheduled for completion in phases from 2024 onwards. Center Residences is expected to be launched for pre-sale in 2023, while the opening of Curio Collection by Hilton is planned for late 2024.

Westlake 66 in Hangzhou is an integrated high-end commercial development comprising a retail podium, five Grade A office towers, and a luxury hotel: **Mandarin Oriental Hangzhou**. The basement works are making good progress. The project is scheduled for completion in phases from 2024 onwards. Mandarin Oriental Hangzhou, featuring more than 190 premium guestrooms and suites, is slated to open in 2025.

The remaining mixed-use development of Forum 66 in Shenyang yields a gross floor area of more than 500,000 square meters, including **Forum Residences** (瀋陽恒隆府) which is planned for pre-sale from 2025 onwards and completion in stages from 2027 onwards.

Hong Kong

The pre-sale of The Aperture was launched in December 2021. Construction is on schedule and targeted for completion in the second half of 2023.

Construction is progressing at the Grade A office tower redevelopment on 228 Electric Road in North Point. The project is a joint development with our parent company, Hang Lung Group Limited (Hang Lung Group), and includes a retail area across the lower floors. The project is scheduled for completion in 2023.

The land acquisition at 37 Shouson Hill Road in the Southern District of Hong Kong Island was completed in February 2021. The land site will be redeveloped into luxurious detached houses, and the general building plan was approved in August 2022.

FINANCING MANAGEMENT

We have been maintaining an appropriate capital structure with multiple financing channels to ensure that financial resources are always available to meet operational needs and expansions. A sufficient level of standby banking facilities and other debt capital fundings is in place to cushion Hang Lung Properties from any unexpected external economic shocks. All financial risk management, including debt refinancing, foreign exchange exposure, and interest rate volatility, is centrally managed and controlled at the corporate level.

Funding needs are closely monitored and regularly reviewed to allow a fair degree of financial flexibility and liquidity while optimizing the cost of funds. We also maintain various sources of debt financing to mitigate concentration risks.

For debt portfolio management, we focus on mitigating foreign exchange, interest rate, and refinancing risks through an appropriate mix of RMB/HKD/USD borrowings, fixed/floating-rate debts, a staggered debt repayment profile, and a diversified source of funding.

As part of our environmental, social and governance (ESG) initiatives, Hang Lung Properties continues to make more use of sustainable finance. During the year, we issued green bonds worth HK$1.2 billion, obtained HK$3.7 billion in green loan facilities, and secured HK$8.5 billion in sustainability-linked loan facilities. These are collectively referred to as sustainable finance, which now accounts for 46% of our total debts and available facilities. We have plans to increase that proportion further.

- *Cash Management*

Total cash and bank balances at the reporting date by currency:

	At December 31, 2022		At December 31, 2021	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**2,102**	*40%*	5,484	*64%*
RMB	**2,974**	*57%*	2,885	*34%*
USD	**153**	*3%*	146	*2%*
Total cash and bank balances	**5,229**	*100%*	8,515	*100%*

All deposits are placed with banks carrying strong credit ratings. The counterparty risk is routinely monitored.

- *Debt Portfolio*

At the balance sheet date, total borrowings amounted to HK$45,524 million (December 31, 2021: HK$45,695 million), of which 28% was denominated in RMB to act as a natural hedge to net investments in mainland China.

Our fixed-rate borrowings primarily consist of medium-term notes (MTNs) and bank loans that are converted to fixed-rate through the use of interest rate swaps. The percentage of fixed-rate borrowings fell to 38% of total borrowings as of December 31, 2022, following the redemption of a US$500 million MTN in June 2022.

The composition of our debt portfolio can be categorized as follows:

(i) by currency (after currency swap):

	At December 31, 2022		At December 31, 2021	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Denominated in:				
HKD	**32,723**	*72%*	33,196	*73%*
RMB	**12,801**	*28%*	12,499	*27%*
Total borrowings	**45,524**	*100%*	45,695	*100%*

(ii) by fixed or floating interest (after interest rate swap):

	At December 31, 2022		At December 31, 2021	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Fixed	**17,376**	*38%*	21,998	*48%*
Floating	**28,148**	*62%*	23,697	*52%*
Total borrowings	**45,524**	*100%*	45,695	*100%*

- *Gearing Ratios*

At the reporting date, the net debt balance amounted to HK$40,295 million (December 31, 2021: HK$37,180 million). The net debt to equity ratio was 28.1% (December 31, 2021: 24.4%), and the debt to equity ratio was 31.8% (December 31, 2021: 30.0%). The net debt to equity ratio increase was largely due to capital expenditures in both mainland China and Hong Kong.

- *Maturity Profile and Refinancing*

At the balance sheet date, the average tenure of the entire loan portfolio was 3.2 years (December 31, 2021: 3.0 years). The maturity profile was staggered over more than 10 years. Around 72% of the loans were repayable after two years.

	At December 31, 2022		At December 31, 2021	
	HK$ Million	*% of Total*	HK$ Million	*% of Total*
Repayable:				
Within 1 year	**4,533**	*10%*	8,079	*18%*
After 1 but within 2 years	**8,112**	*18%*	7,566	*17%*
After 2 but within 5 years	**27,621**	*61%*	23,868	*52%*
Over 5 years	**5,258**	*11%*	6,182	*13%*
Total borrowings	**45,524**	*100%*	45,695	*100%*

As of December 31, 2022, total undrawn committed banking facilities amounted to HK$21,374 million (December 31, 2021: HK$14,645 million). The available balances of the US$4 billion (December 31, 2021: US$4 billion) MTN program amounted to US$2,353 million, equivalent to HK$18,343 million (December 31, 2021: HK$13,722 million).

- *Net Finance Costs and Interest Cover*

For the year ended December 31, 2022, gross finance costs increased by 2% to HK$1,512 million. The effect of the rise in total borrowings was partially offset by a drop in the average effective cost of borrowing, which was lowered to 3.5% (2021: 3.7%), benefiting from lower interest rates to refinance maturing debts.

The net amount charged to the statement of profit or loss (after excluding capitalized amounts) increased to HK$512 million accordingly.

Interest cover for 2022 was 5 times (2021: 5 times).

- *Foreign Exchange Management*

The primary exchange rate risk that we are exposed to is RMB fluctuations. Such RMB exposure is mainly derived from the currency translation risk arising from the net assets of our subsidiaries in mainland China.

We practice the strict discipline of not speculating on the movement of the RMB against the HKD and maintain an appropriate level of RMB resources for capital requirements in mainland China, including cash inflows from local operations and RMB borrowings. Regular business reviews are carried out to assess the level of funding needed for our mainland China projects, taking into account factors such as regulatory constraints, project development timelines, and the market environment. Appropriate modifications to our funding plan will be conducted in light of any changes in circumstances.

As of December 31, 2022, net assets denominated in RMB accounted for approximately 74% of our total net assets. The RMB depreciated against the HKD by 8.5% compared with December 31, 2021. The translation of these net assets from RMB into HKD at the exchange rate as of the reporting date resulted in a translation loss of HK$9,770 million (2021: gain of HK$3,173 million), recognized in other comprehensive income/exchange reserve.

- *Charge of Assets*

Assets of Hang Lung Properties were not charged to any third parties as of December 31, 2022.

- *Contingent Liabilities*

Hang Lung Properties did not have any material contingent liabilities as of December 31, 2022.

CORPORATE INITIATIVES

Achieve Net Zero by 2050

In the year following the 2021 announcement of our 25 x 25 Sustainability Targets, we made significant progress toward our goal of achieving sustainability leadership.

In January 2022, we announced our commitment to setting both near- and long-term company-wide emissions targets in line with the Science Based Targets initiative (SBTi) Net-Zero Standard. In December 2022, Hang Lung had our science-based net-zero targets approved by the SBTi—the first real estate company in Hong Kong and mainland China and in the first group of companies globally to receive such approval. We are also Hong Kong's first real estate developer—and one of the first in Asia—to commit to ULI Greenprint's net zero carbon operations goal, launched by the Urban Land Institute Greenprint Center for Building Performance. These initiatives demonstrate our commitment to reducing our carbon footprint in line with climate science and to reaching net-zero value chain greenhouse gas emissions by 2050.

We are also excited to share that, from January 1, 2023, Parc 66 in Jinan became the first commercial development in Jinan and Shandong Province to be 100% powered by renewable energy. This transaction is a major step forward in our net zero journey. It also accelerates our progress in meeting our 2025 renewable energy target for our mainland China portfolio, with almost 25% of our electricity demand now met by renewable energy sources.

Promote Youth Development and Diversity & Inclusion

Sustainable business growth goes hand in hand with sustainable growth in the communities in which we work and live. During the reporting period, we stepped up our efforts in supporting youth to unleash their potential and build more diverse and inclusive communities. The inaugural edition of a nationwide program named the "Hang Lung Future Women Leaders Program" was rolled out in Hong Kong and mainland China in September 2022 in collaboration with the Hong Kong Federation of Youth Groups Leadership Institute, the Xuhui District and Jing'an District Women's Federation in Shanghai. 200 female university students were recruited across the nation and are being offered mentorships with over 40 elite women leaders from various fields, along with leadership training and internship opportunities to support their diversified development. We also mobilized over 40 of our employees to support the HKSAR government-led "Strive and Rise Programme"—a tripartite collaboration between the government, the business sector, and the community to help secondary school students from underprivileged families broaden their horizons, reinforce their self-confidence, develop a positive outlook on life, set goals for their future, and strive for upward mobility.

Ride out Challenges along with Communities

In view of the severe challenges brought by the COVID-19 pandemic in Hong Kong and many parts of mainland China, the Company set up the "Hang Lung COVID-19 Relief Fund 2.0," with an injection of more than HK$13 million to support urgent pandemic countermeasures in Hong Kong and mainland China, particularly in Shanghai, Shenyang and Dalian. The Relief Fund provided targeted support to contain the spread of COVID-19 by providing health protection items and other daily necessities to community groups in need, as well as the operations of "mobile cabin hospitals" in Hong Kong. We also implemented a broad range of measures to safeguard the health and wellbeing of our employees, tenants, and customers.

Enhance Employee Wellbeing

Staff well-being is critical to our business success and realizing our goal of becoming one of the world's most sustainable real estate companies. During the reporting period, our follow-up actions in response to employee feedback raised in the first Employee Engagement Survey in 2021 were proven to be effective, with significant improvement in overall engagement in the second Employee Engagement Survey held in 2022. We are also in the top 25% of companies with the biggest improvement in engagement among companies that rolled out their second Employee Engagement Survey during the reporting period.

Work with Tenants to Accelerate Climate and Sustainability Action

Hang Lung works with like-minded stakeholders to address systemic challenges because we believe that collaborative efforts are more likely to achieve a larger and more sustained impact. In October 2022, we embarked on a new model of sustainability partnership with LVMH to collaborate on five key areas over the next three years throughout mainland China, including Climate Resilience, Resource Management, Wellbeing, Sustainable Transactions, and Sustainability Communication, Events and Progress Reviews. A first-of-its-kind globally, the partnership spans Hang Lung's portfolio of properties in seven cities and engages 26 LVMH brands that occupy more than 90 retail spaces with a lettable floor area in excess of 27,000 sq. m. This endeavor also brought together changemakers from the real estate and retail sectors to collaborate on climate and sustainability solutions at our inaugural Real Estate & Climate Forum, held in a hybrid format in Hong Kong, Shanghai, Paris, and other cities just a month after the signing of the partnership. More than 200 ideas generated at the Forum across 12 sustainability topics ranging from energy efficiency to learning and development to social impact will form the basis for a Common Charter to be announced by the two Groups in the first quarter of 2023.

OUTLOOK

The outlook for 2023 is upbeat for both Mainland and Hong Kong despite uncertainties remain. The recent relaxation of pandemic control measures in Mainland, despite its initial challenges, is welcome by stakeholders. In property development front, subject to market conditions, we expect to achieve milestones with the public launches of Hang Lung Residences on Mainland and the handover units at The Aperture, in Hong Kong.

Our Mainland leasing portfolio is expected to reach new heights and continue its growth momentum after the turbulence brought from the surge in COVID-19 cases in December. While unforeseen variants of COVID might creep in and affect our daily businesses, lessons learnt in the past three years, as well as the maturation of our newer projects, have made us better prepared. We will seize opportunities ahead through various strategic marketing campaigns and our CRM program, HOUSE 66, to drive footfall and stimulate consumer spending at our malls. Our malls at Plaza 66 and Grand Gateway 66 in Shanghai and the strong supporting cast from malls outside Shanghai will lead our growth in Mainland, while our office portfolio will continue to provide steady growth and income.

Hong Kong will inevitably benefit from the Mainland's relaxation of pandemic control measures and progressive re-opening of borders. Our leasing portfolios in Causeway Bay and Mongkok, as well as Peak Galleria, will be the prime beneficiary, while our community malls, Kornhill Plaza in Hong Kong East and Amoy Plaza in Kowloon East, will continue to provide stable income with improved overall consumer sentiment. We will leverage on our "hello Hang Lung Malls Rewards Program", our strategic reward program, to better engage our loyal customers and boost footfall. For our office portfolio, while the market remains challenging, we look forward to the introduction of our newest member, 228 Electric Road in the second quarter of 2023. Overall, we will continue to refine and enhance our tenant mix, as well as through AEI and capital recycling exercises, to better position our portfolio.

We look forward to our property development business achieving milestones in 2023. On Mainland, our premium serviced residences brand, Hang Lung Residences (namely, Heartland Residences in Wuhan, Grand Hyatt Residences in Kunming, and Center Residences in Wuxi), subject to market conditions, will be making their respective public launches. For Heartland Residences, the first batch of units is targeted to handover to buyers in 2023. In Hong Kong, revenue from pre-sale of The Aperture is expected to be recognized in the second half of 2023 upon transaction completion.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED DECEMBER 31, 2022 (AUDITED)

	Note	2022 HK$ Million	2021 HK$ Million	*For information purpose only* 2022 RMB Million	*For information purpose only* 2021 RMB Million
Revenue	2(a)	**10,347**	10,321	**8,871**	8,563
Direct costs and operating expenses		**(3,094)**	(2,950)	**(2,651)**	(2,447)
		7,253	7,371	**6,220**	6,116
Other net income	3	**17**	55	**15**	46
Administrative expenses		**(650)**	(592)	**(560)**	(491)
Profit from operations before changes in fair value of properties		**6,620**	6,834	**5,675**	5,671
(Decrease)/increase in fair value of properties		**(345)**	460	**(299)**	382
Profit from operations after changes in fair value of properties		**6,275**	7,294	**5,376**	6,053
Interest income		**63**	73	**53**	61
Finance costs		**(512)**	(487)	**(440)**	(404)
Net interest expense	4	**(449)**	(414)	**(387)**	(343)
Share of profits of joint ventures		**24**	8	**20**	7
Profit before taxation	5	**5,850**	6,888	**5,009**	5,717
Taxation	6	**(1,453)**	(2,083)	**(1,249)**	(1,723)
Profit for the year	2(b)	**4,397**	4,805	**3,760**	3,994
Attributable to:					
Shareholders		**3,836**	3,868	**3,281**	3,217
Non-controlling interests		**561**	937	**479**	777
Profit for the year		**4,397**	4,805	**3,760**	3,994
Earnings per share	8(a)				
Basic		**HK$0.85**	HK$0.86	**RMB0.73**	RMB0.72
Diluted		**HK$0.85**	HK$0.86	**RMB0.73**	RMB0.72

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2022 (AUDITED)

			For information purpose only	
	2022 HK$ Million	2021 HK$ Million	**2022 RMB Million**	2021 RMB Million
Profit for the year	**4,397**	4,805	**3,760**	3,994
Other comprehensive income				
Items that are or may be reclassified subsequently to profit or loss:				
Movement in exchange reserve:				
Exchange difference arising from translation to presentation currency	**(9,779)**	3,182	**2,929**	(879)
Gain/(loss) on net investment hedge	**9**	(9)	**7**	(8)
Movement in hedging reserve:				
Effective portion of changes in fair value	**121**	51	**102**	42
Net amount transferred to profit or loss	**(42)**	6	**(37)**	5
Deferred tax	**(12)**	(7)	**(10)**	(6)
Item that will not be reclassified to profit or loss:				
Net change in fair value of equity investments	**(1)**	1	**(1)**	1
Other comprehensive income for the year, net of tax	**(9,704)**	3,224	**2,990**	(845)
Total comprehensive income for the year	**(5,307)**	8,029	**6,750**	3,149
Attributable to:				
Shareholders	**(4,917)**	6,792	**6,296**	2,368
Non-controlling interests	**(390)**	1,237	**454**	781
Total comprehensive income for the year	**(5,307)**	8,029	**6,750**	3,149

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2022 (AUDITED)

	Note	2022 HK$ Million	2021 HK$ Million	2022 RMB Million (For information purpose only)	2021 RMB Million (For information purpose only)
Non-current assets					
Property, plant and equipment					
Investment properties	9	**167,861**	177,456	**150,043**	145,088
Investment properties under development	9	**22,703**	22,399	**20,283**	18,313
Other property, plant and equipment		**320**	290	**286**	237
		190,884	200,145	**170,612**	163,638
Interests in joint ventures		**1,130**	1,131	**1,011**	925
Other assets		**77**	78	**69**	64
Deferred tax assets		**140**	77	**125**	63
		192,231	201,431	**171,817**	164,690
Current assets					
Cash and deposits with banks		**5,229**	8,515	**4,677**	6,962
Trade and other receivables	10	**3,560**	3,499	**3,182**	2,861
Properties for sale		**11,668**	10,790	**10,433**	8,822
		20,457	22,804	**18,292**	18,645
Current liabilities					
Bank loans and other borrowings		**4,533**	8,079	**4,053**	6,605
Trade and other payables	11	**9,829**	10,895	**8,785**	8,908
Lease liabilities		**27**	31	**24**	25
Current tax payable		**434**	497	**388**	406
		14,823	19,502	**13,250**	15,944
Net current assets		**5,634**	3,302	**5,042**	2,701
Total assets less current liabilities		**197,865**	204,733	**176,859**	167,391
Non-current liabilities					
Bank loans and other borrowings		**40,991**	37,616	**36,666**	30,755
Lease liabilities		**266**	305	**238**	249
Deferred tax liabilities		**13,462**	14,428	**12,026**	11,796
		54,719	52,349	**48,930**	42,800
NET ASSETS		**143,146**	152,384	**127,929**	124,591
Capital and reserves					
Share capital		**39,950**	39,950	**37,462**	37,462
Reserves		**93,431**	101,769	**81,745**	78,409
Shareholders' equity		**133,381**	141,719	**119,207**	115,871
Non-controlling interests		**9,765**	10,665	**8,722**	8,720
TOTAL EQUITY		**143,146**	152,384	**127,929**	124,591

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The financial information relating to the years ended December 31, 2022 and 2021 included in this announcement of annual results does not constitute the statutory annual consolidated financial statements of Hang Lung Properties Limited (the "Company") and its subsidiaries (collectively the "Group") for those years but is derived from those consolidated financial statements in accordance with section 436 of the Hong Kong Companies Ordinance (Cap.622). The Company has delivered the consolidated financial statements for the year ended December 31, 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the consolidated financial statements for the year ended December 31, 2022 in due course. The Company's auditor has reported on the consolidated financial statements for both years. The auditor's reports were unqualified and they did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports, and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

1. BASIS OF PREPARATION (Continued)

The significant accounting policies adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2021.

The presentation currency of these consolidated financial statements is Hong Kong dollar. In view of the Group's significant business operations in mainland China, management has included additional financial information prepared in Renminbi in the consolidated financial statements. Such supplementary information is prepared on the same basis as 2021 as if the presentation currency is Renminbi.

2. REVENUE AND SEGMENT INFORMATION

The Group manages businesses according to the nature of services and products provided. Management has determined property leasing and property sales to be the reportable operating segments for the measurement of performance and the allocation of resources.

Segment assets principally comprise all non-current assets and current assets directly attributable to each segment with the exception of interests in joint ventures, other assets, deferred tax assets and cash and deposits with banks.

(a) Disaggregation of revenue

Revenue for the year is analyzed as follows:

HK$ Million	**2022**	2021
Under the scope of HKFRS 16, *Leases*:		
Rental income	**8,871**	9,217
Under the scope of HKFRS 15, *Revenue from contracts with customers*:		
Sales of completed properties	**316**	-
Building management fees and other income from property leasing	**1,160**	1,104
	1,476	1,104
	10,347	10,321

2. REVENUE AND SEGMENT INFORMATION (Continued)

(b) Revenue and results by segments

HK$ Million	**2022**			2021		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Revenue						
- Mainland China	**6,752**	**-**	**6,752**	6,939	-	6,939
- Hong Kong	**3,279**	**316**	**3,595**	3,382	-	3,382
	10,031	**316**	**10,347**	10,321	-	10,321
Profit/(loss) from operations before changes in fair value of properties						
- Mainland China	**4,147**	**(51)**	**4,096**	4,349	(38)	4,311
- Hong Kong	**2,386**	**138**	**2,524**	2,559	(36)	2,523
	6,533	**87**	**6,620**	6,908	(74)	6,834
(Decrease)/increase in fair value of properties	**(345)**	**-**	**(345)**	460	-	460
- Mainland China	**(117)**	**-**	**(117)**	1,750	-	1,750
- Hong Kong	**(228)**	**-**	**(228)**	(1,290)	-	(1,290)
Net interest expense	**(449)**	**-**	**(449)**	(414)	-	(414)
- Interest income	**63**	**-**	**63**	73	-	73
- Finance costs	**(512)**	**-**	**(512)**	(487)	-	(487)
Share of profits of joint ventures	**24**	**-**	**24**	8	-	8
Profit/(loss) before taxation	**5,763**	**87**	**5,850**	6,962	(74)	6,888
Taxation	**(1,430)**	**(23)**	**(1,453)**	(2,092)	9	(2,083)
Profit/(loss) for the year	**4,333**	**64**	**4,397**	4,870	(65)	4,805
Net profit/(loss) attributable to shareholders	**3,772**	**64**	**3,836**	3,933	(65)	3,868

2. REVENUE AND SEGMENT INFORMATION (Continued)

(c) Total segment assets

HK$ Million	**2022**			2021		
	Property Leasing	**Property Sales**	**Total**	Property Leasing	Property Sales	Total
Mainland China	**131,472**	**5,494**	**136,966**	141,263	4,883	146,146
Hong Kong	**62,766**	**6,380**	**69,146**	62,351	5,937	68,288
	194,238	**11,874**	**206,112**	203,614	10,820	214,434
Interests in joint ventures			**1,130**			1,131
Other assets			**77**			78
Deferred tax assets			**140**			77
Cash and deposits with banks			**5,229**			8,515
			212,688			224,235

3. OTHER NET INCOME

HK$ Million	**2022**	2021
Government grants	**11**	29
Gain on disposal of investment properties	**-**	17
Dividend income from equity investments measured at FVTOCI	**-**	1
Others	**6**	8
	17	55

4. NET INTEREST EXPENSE

HK$ Million	**2022**	2021
Interest income on bank deposits	**63**	73
Interest expense on bank loans and other borrowings	**1,424**	1,410
Interest on lease liabilities	**15**	16
Other borrowing costs	**73**	61
Total borrowing costs	**1,512**	1,487
Less: Borrowing costs capitalized	**(1,000)**	(1,000)
Finance costs	**512**	487
Net interest expense	**(449)**	(414)

5. PROFIT BEFORE TAXATION

HK$ Million	**2022**	2021
Profit before taxation is arrived at after charging:		
Cost of properties sold	**135**	-
Staff costs (Note)	**1,548**	1,485
Depreciation	**78**	61

Note: The staff costs included employee share-based payments of HK$88 million (2021: HK$66 million). If the amounts not recognized in the statement of profit or loss, including amounts capitalized, were accounted for, staff costs would have been HK$1,855 million (2021: HK$1,793 million).

6. TAXATION IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Provision for Hong Kong Profits Tax is calculated at 16.5% (2021: 16.5%) of the estimated assessable profits for the year. Mainland China Income Tax represents mainland China Corporate Income Tax calculated at 25% (2021: 25%) and mainland China withholding income tax calculated at the applicable rates. The withholding tax rate applicable to Hong Kong companies in respect of dividend distributions from foreign investment enterprises in mainland China was 5% (2021: 5%).

HK$ Million	**2022**	2021
Current tax		
Hong Kong Profits Tax	**351**	303
(Over)/under-provision in prior years	**(2)**	2
	349	305
Mainland China Income Tax	**986**	1,041
Total current tax	**1,335**	1,346
Deferred tax		
Changes in fair value of properties	**20**	621
Other origination and reversal of temporary differences	**98**	116
Total deferred tax	**118**	737
Total income tax expense	**1,453**	2,083

7. DIVIDENDS

(a) Dividends attributable to the year

HK$ Million	**2022**	2021
Interim dividend declared and paid of HK18 cents (2021: HK18 cents) per share	**810**	810
Final dividend of HK60 cents (2021: HK60 cents) per share proposed after the end of the reporting period	**2,699**	2,699
	3,509	3,509

The dividend proposed after the end of the reporting period has not been recognized as a liability at the end of the reporting period.

(b) The final dividend of HK$2,699 million (calculated based on HK60 cents per share and the total number of issued shares as of the dividend pay-out date) for the year ended December 31, 2021 were approved and paid in the year ended December 31, 2022 (2021: HK$2,653 million).

8. EARNINGS PER SHARE

(a) The calculation of basic and diluted earnings per share is based on the following data:

HK$ Million	**2022**	2021
Net profit attributable to shareholders	**3,836**	3,868

	Number of shares	
	2022	2021
Weighted average number of shares used in calculating basic earnings per share	**4,499,260,670**	4,498,743,158
Effect of dilutive potential ordinary shares – share options	**-**	59,576
Weighted average number of shares used in calculating diluted earnings per share	**4,499,260,670**	4,498,802,734

8. EARNINGS PER SHARE (Continued)

(b) The underlying net profit attributable to shareholders, which excluded changes in fair value of properties net of related income tax and non-controlling interests, is calculated as follows:

HK$ Million	**2022**	2021
Net profit attributable to shareholders	**3,836**	3,868
Effect of changes in fair value of properties	**345**	(460)
Effect of income tax for changes in fair value of properties	**20**	621
Effect of changes in fair value of investment properties of joint ventures	**14**	28
	379	189
Non-controlling interests	**(16)**	308
	363	497
Underlying net profit attributable to shareholders	**4,199**	4,365

The earnings per share based on underlying net profit attributable to shareholders was:

	2022	2021
Basic	**HK$0.93**	HK$0.97
Diluted	**HK$0.93**	HK$0.97

9. INVESTMENT PROPERTIES AND INVESTMENT PROPERTIES UNDER DEVELOPMENT

(a) Additions

During the year, additions to investment properties and investment properties under development amounted to HK$2,884 million (2021: HK$2,254 million).

(b) Valuation

The investment properties and investment properties under development of the Group were revalued as of December 31, 2022 by Mr. Charles C.K. Chan, Registered Professional Surveyor (General Practice), of Savills Valuation and Professional Services Limited, on a market value basis.

10. TRADE AND OTHER RECEIVABLES

(a) Included in trade and other receivables are trade receivables (based on the due date) with the following aging analysis:

HK$ Million	**2022**	2021
Not past due or less than 1 month past due	**116**	117
1 – 3 months past due	**27**	7
More than 3 months past due	**4**	4
	147	128

(b) The Group maintains a defined credit policy including stringent credit evaluation on and payment of a rental deposit from tenants. In addition to the payment of rental deposits, tenants are required to pay monthly rents in respect of leased properties in advance. Receivables are regularly reviewed and closely monitored to minimize any associated credit risk.

Provision for expected credit losses was assessed and adequately made on a tenant-by-tenant basis, based on the historical default experience and forward-looking information that may impact the tenants' ability to repay the outstanding balances.

(c) Included in "other receivables" of the Group is a deposit of land acquisition in mainland China of HK$280 million (2021: HK$306 million).

11. TRADE AND OTHER PAYABLES

(a) Included in trade and other payables are trade creditors with the following aging analysis:

HK$ Million	**2022**	2021
Due within 3 months	**1,318**	1,666
Due after 3 months	**2,726**	3,141
	4,044	4,807

11. TRADE AND OTHER PAYABLES (Continued)

(b) Included in trade and other payables is an amount of HK$601 million (2021: HK$601 million) due to a fellow subsidiary, which is the joint developer of a project in which the Group and the fellow subsidiary hold respective interests of 66.67% and 33.33%. The amount represents the contribution by the fellow subsidiary in proportion to its interest to finance the project, and is unsecured, non-interest bearing and has no fixed terms of repayment.

OTHER INFORMATION

Employees

As of December 31, 2022, the number of employees was 4,148 (comprising 1,036 Hong Kong employees and 3,112 mainland China employees). The total employee costs for the year ended December 31, 2022, amounted to HK$1,855 million. We provide competitive remuneration packages for all employees including discretionary bonuses payable based on individual performance. We regularly review remuneration packages to ensure that they comply with relevant regulatory requirements and market conditions. The Company also has share option schemes and provides professional and high-quality training for employees.

Purchase, Sale or Redemption of Listed Securities

HLP Finance Limited, a wholly owned subsidiary of the Company, fully redeemed the US$500 million 4.75% guaranteed notes due 2022 (stock code: 4558) at principal amount upon maturity on June 25, 2022 and the HK$225 million 3.55% guaranteed notes due 2022 (stock code: 4568) at principal amount upon maturity on October 5, 2022.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of its listed securities during the year.

Compliance with Corporate Governance Code

During the year, the Company complied with the code provisions set out in the Corporate Governance Code as stated in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Audit Committee

The annual results for the year ended December 31, 2022, have been reviewed by the Audit Committee of the Company. Hang Lung Properties' consolidated financial statements have been audited by the Company's auditor, KPMG, and it has issued an unmodified opinion.

Book Close Dates

For ascertaining shareholders' right to attend and vote at the Annual General Meeting (AGM)

Book close dates (both days inclusive)	April 25 to 28, 2023
Latest time to lodge transfers	4:30 pm on April 24, 2023
Record date	April 28, 2023
AGM	April 28, 2023

For ascertaining shareholders' entitlement to the proposed final dividend

Book close date	May 5, 2023
Latest time to lodge transfers	4:30 pm on May 4, 2023
Record date	May 5, 2023
Final dividend payment date	May 19, 2023

On Behalf of the Board
Ronnie C. Chan
Chair

Hong Kong, January 31, 2023

As of the date of this announcement, the Board comprises:
Executive Directors: Mr. Ronnie C. CHAN, Mr. Adriel CHAN, Mr. Weber W.P. LO and Mr. Kenneth K.K. CHIU
Independent Non-Executive Directors: Mr. Nelson W.L. YUEN, Mr. Dominic C.F. HO, Mr. Philip N.L. CHEN, Dr. Andrew K.C. CHAN, Prof. H.K. CHANG and Ms. Anita Y.M. FUNG

GLOSSARY

Financial Terms

Finance costs: Total of interest expense on total borrowings and other borrowing costs, net of amount capitalized

Total borrowings: Total of bank loans and other borrowings, net of unamortized other borrowing costs

Net debt: Total borrowings net of cash and deposits with banks

Net profit attributable to shareholders: Profit for the year (after tax) less amounts attributable to non-controlling interests

Underlying net profit attributable to shareholders: Net profit attributable to shareholders excluding changes in fair value of properties net of related income tax and non-controlling interests

Financial Ratios

$$\text{Basic earnings per share} = \frac{\text{Net profit attributable to shareholders}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Debt to equity} = \frac{\text{Total borrowings}}{\text{Total equity}}$$

$$\text{Net assets attributable to shareholders per share} = \frac{\text{Shareholders' equity}}{\text{Weighted average number of shares in issue during the year}}$$

$$\text{Net debt to equity} = \frac{\text{Net debt}}{\text{Total equity}}$$

$$\text{Interest cover} = \frac{\text{Profit from operations before changes in fair value of properties}}{\text{Finance costs before capitalization less interest income}}$$

$$\text{Payout ratio} = \frac{\text{Dividends attributable to the year}}{\text{Net profit attributable to shareholders}}$$